

Some Plain Facts and Truths

concerning the unfair methods of

Co-operative Society Stores

EVERY CONSUMER SHOULD READ THIS

There is only one object in view in publishing this pamphlet, and that is to let the light of day shine on the subject of "Co-operative Society Stores and their methods."

Fortunately in Canada we have not had the experience with these stores that they have had in England and Scotland, and in other parts of Europe, but from all appearances their promoters believe that they can see in our fair Dominion an opportunity of planting some of the seeds of these institutions here, and we believe that this is an opportune time to lay before the public some of the facts concerning their methods and schemes in the Old Land.

No Apology to Make

In presenting these facts we have no apology to make. We will stand or fall by our presentation of the case, all of which is fully vouched for by the testimony of thousands of reputable men and women.

When it was suggested that this pamphlet should be published so as to give those unfamiliar with the tricks of commerce an opportunity of seeing the cloven foot behind the whole scheme, some timid natures thought that in doing so it would only be advertising the Co-operative proposition, and thereby do our cause no good. Others thought differently, as is demonstrated in our advertising columns, and as an old retail merchant, and one who has given the subject of the retail distribution of commerce considerable thought, I have undertaken to place the subject before the public, and I will take the full responsibility and onus, if any, by those interested in promoting these stores for any and all statements that are made herein.

Truth Can Never Die

Truth can never die, it will live in spite of any attempt that may be made to smother it up or misdirect it.

Falsehood clothed in apparently the garments of truth soon becomes exposed, and its final end is death. We believe that it is the duty of every true citizen to place a red light on the roadway when danger holes are discovered, and we have discovered pitfalls in the road-

way of commerce in the form of Co-operative Society Stores, and this pamphlet is the red light to warn all investors of the dangers that lurk in their pathway.

False and True Co-operation

There are very few who understand the great commercial law of the distribution of merchandise, and ignorance of it has brought about the creation of hundreds of impracticable schemes, that are the result of theories that are not based upon the practical affairs of life.

The great commercial nations of the earth to-day did not reach to their present stage by chance. It has been the result of hundreds of years of practical experiments made by earnest, thoughtful men who have been endeavoring to reach the required results in the most natural manner with the least resistance. One nation co-operating with the other nation, and all the various interests within one nation co-operating one with the other. The timber from the forest, the grain from the field, the metal from the mine, all finding their way down the natural avenues of trade, passing in bulk to the wholesaler, and then to the retailer, and being gradually and individually distributed to those who require them. This is natural co-operation. The co-operation that we are about to deal with is merely one in name, and they have adopted that beautiful name so as to avoid suspicion, and to hypnotize the inquiring mind from looking beneath the surface.

True co-operation embraces everything that will benefit all and everyone, and reaches out to the ends of the earth. The name co-operation that has been applied to these societies begins only when the promoter has secured the sale of the first share of stock in these concerns, and embraces only those who contribute grist to their mill, and it ends when they fail to pay dividends. If you stop buying shares or stop buying goods in their shops you stop co-operating, but with true co-operation it begins when the first settler places his axe into the mighty oak of the forest, and it ends only when all the business in all the great commercial thoroughfares is ended. The one is natural, the other is artificial.

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True co-operation means that each individual member of the State shall preserve his own individuality, he is responsible through perseverance for his own development, and his ability will be rewarded by his own talents. By doing his own part well, and by interlocking his efforts with others, and by co-operating with his neighbor, he builds up the nation, and no nation can rise any higher than the highest sentiment of the most noble-minded individual in it.

False co-operation has only one object to work for, and that is to secure other people's capital to make commercial experiments with. Its growth and development has been built upon its ability to abuse and misrepresent the retail trader, and by allowing these false and unfair statements to go unchallenged, the individual traders of Europe have now got to face a monstrous proposition that only hard work and energy, and the admittance of plenty of truth and daylight will ever overthrow.

Canada Must Have Clean Trade Methods

In Canada it will not be so. We mean to challenge every false statement these concerns make. We mean to expose their true inwardness, and we promise them now the cleanest, hardest, squarest fight that they ever had in their lives, and if they want ease and comfort they must play fair and square, or otherwise go down to defeat.

Having outlined our position, let us now turn our attention to some of the facts concerning the movements of these "Co-operators" in Canada.

How the Co-operators Endeavored to Secure Special Legislation

Their first step was to seek special legislation so that they could operate these stores in any electoral district in Canada, and form limited liability companies without paying any government fee whatever, and not be subject to the same strict rules that are required by incorporated companies under the Joint Stock Companies' Act. This request was made by them under the representation that it was for the purpose of benefiting "the poor working man"—a very useful cloak to cover a multitude of sins, whereas the underlying motive was to secure special privileges so that they could secure the poor working-man's money, and not be compelled to make the necessary reports to the government, unless someone charged them with mismanagement, and then only after considerable difficulty had been experienced.

Late one Friday night, when a large number of the members of the House of Commons had gone home for their weekly visit, this monstrous piece of legislation, which had been introduced for three successive sessions by Mr. Monk,

M.P., a Conservative member in the Province of Quebec, and had been withdrawn through the efforts of "The Retail Merchants' Association of Canada"—slid through the House, having been taken up as a government measure. When it came before the Senate a strong delegation of retail merchants appeared before them, and pointed out the real meaning of the measure. Considerable discussion took place upon it by the business men of the Senate, and the following extract from the Honorable Senator McMullen's address, as recorded in the Hansard, will epitomize the general view taken by all those who opposed it, and to whom we have to thank for saving Canada from such a delusive scheme.

On page 670 of the reports of the Senate for 1908, the Hon. Senator McMullen stated as follows:

The Hon. Senator McMullen Exposes the Scheme

"We have already had organizations of this character in our province, and they proved nothing short of an unlimited curse. I know all about these organizations. We had them in our district. We had the Grangers, for instance, an organization that had an existence for many years. A good many of those that took an interest with them went around, cutely whispering in the ears of farmers that retail merchants, as a class, were charging the consumers of goods far more than they could easily obtain them for by such organizations as they had, and that they would give them the goods at very much less. A great many people were induced to contribute a share, ten dollars; almost every farmer who listened to the stories that were told by these wily agents became stockholders, contributed their ten dollars, with the assurance that they would get a dividend at the end of the year upon their ten dollars, and, in addition to that, they would get the goods that they required for themselves at first cost. All others buying goods would have to pay a certain profit, but those that contributed the money for the formation of the organization would get their goods at cost; others who bought, not being members of the organization, would have to pay, say, twenty or twenty-five per cent. advance, and the result of such a system would be that at the end of the year the shareholders would get a dividend on their ten dollars, and that they would get in the meantime, throughout the year, everything they wanted to buy at wholesale price.

Co-operation Died a Natural Death

A great many were caught with that offer, and the Grangers became a very extended organization throughout our province, and had

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an existence quite a number of years. They established a wholesale depot in the city of Toronto, because the retail merchants were strongly opposed to the organization, and they complained of the wholesale trade giving those people goods on the very same terms that they got them at. The result was that they started a wholesale business, which did nothing but sell to the Grange and bought from different manufacturers. That organization lived for a number of years, and then died a natural death.

Quarrelling Among Themselves

They commenced quarrelling amongst themselves. For instance, in a Grange that was formed in any section of the country, one of those organizations sent for two bales of buffalo robes, which they were to get at a reduced price. When the robes came along, the first man that came picked out the best robe of twenty-four, and the next man who came in picked the next best, and so on, and when they reached the end, the last man who came in had to take the poor ones. They would not accept them, and a lawsuit ensued, and it was the means of breaking up the whole business, because while the robes were the same in price they were not of equal quality.

The Smooth-Tongued Agent

There is no class in Canada to-day that is struggling harder to carry on their business than the retail merchants. They have the hardest fight of any class of men in Canada to-day. I do not believe that the retail merchants in Canada, after paying the necessary expenses connected with their business, can show a clear profit of five per cent. over all costs, and allow anything at all for their own time. Is it wise, is it prudent to encourage organizations of the kind proposed in this bill that will strike further at the business of retail merchants? It undoubtedly will be the means of establishing quite a number of institutions in different shapes, and corners and sections of the country. There is always some way fellow who thinks he can make something out of the scheme. He will go round to the farmers and sell them, if you consent to become stockholders we will give you all the goods you want throughout the year at enormous reduction. These fellows who are in the retail business are selling far more than goods are worth. They are going to show them what we will be. I became a member of our Co-operative Society. It will only cost ten dollars a year. I will get all the goods you want to buy at a discount. In the end you will receive a dividend of ten dollars, and it is assured to you. I get a great many farmers and others who join an organization of

that kind, and the society will live a little while.

The People Like to be Humbugged

Every dollar that these organizations collect in that way takes business away from the retail merchant, and when you put that at the back of institutions like Eaton's and Simpson's, of Toronto, who send goods to portions of the Province of Ontario, one hundred to one hundred and fifty miles round the city of Toronto, it will mean ruin to the small country trader. The express business done from these large institutions in Toronto is enormous. They are killing out the retail trade. Possibly they may be some benefit to the consumer. I have tried to get at the bottom of it, and have come to the conclusion that there is a great deal of this business done on the principle of humbug. Barnum once said that the people liked to be humbugged, and that he was going to give them a surfeit of it. That may be true. I believe there is a certain percentage of the people who like to be humbugged. Not only that, but they will not be satisfied unless they are humbugged.

I have no doubt that co-operative societies will be formed under this bill, and they will humbug, fool and mislead the people into the idea that they are going to give them goods for, perhaps, nothing. The result will be that after a while the crafty individual who forms the organization, who lays the trap and gets the thing into operation, will make an easy living out of it. He will get so much for the time that he spends on it, and in the end the money, in all probability, will be lost. I have no doubt it will be the same experience that people had with the Grangers and other institutions of this kind. I am entirely opposed to this bill. I realized what it was when I was in business. I know what the retail merchants suffered by such organizations, and I contend that, under present conditions, with the restricted trade, with the efforts that retail merchants have at the present moment to pay 100 cents on the dollar, and run their business, it is not treating them properly to encourage opposition of this kind, and it is going to result in disaster, I have no doubt, to many men who are to-day trying to run an honest business to support themselves and their families."

The Member of Parliament and Promoter of the Bill an Official of the Company

Several other valuable addresses were delivered on the subject, and the result, we are pleased to say, was the defeat of the measure. Prior, however, to its defeat, and so sanguine were the promoters of their success in secur-

ing special legislation, that on March 30th, in the city of Montreal, at a meeting of the promoters of "The Montreal Industrial Co-operative Society, Ltd.," the Hon. Mr. Monk, M.P., the promoter of the bill was unanimously elected Honorary President, and it was announced at the same meeting that the Hon. Earl Grey, the Governor-General of Canada, who was very desirous of seeing the bill become law, was in his private capacity an Honorary President of the International Co-operative Alliance, and as the officers of these societies must have stock in them, we see the beautiful spectacle of the chief promoter of the measure in the Commons blossom into an official of one of the companies he was seeking special legislation for.

Having, however, defeated the object of the promoters of these societies in their first step, and taking away from them their proposed special privilege, they found themselves forced to carry on their operations under the ordinary Joint Stock Companies' Act, and several companies are now endeavoring to operate in various cities and towns in Canada under various co-operative company names.

The Promoters Control the Co-operative Company

In one prospectus we find that the capital stock is Forty Thousand Dollars (\$40,000), and is divided into twenty thousand shares of two dollars (\$2.00) per share. Out of these twenty thousand shares they are offering nine thousand eight hundred and seventy-five shares to the public, and ten thousand of them are to be given away to the promoters for their services, which will leave the entire control of this company, which is supposed to belong to those who are told that it will be their own store, in the hands of the promoters. The people will put in the money, and the promoters will do the experimenting. In addition to this large amount, which is given away, they also allow twenty-five per cent. (25 p.c.) for what they call "lawful brokerage." This means that out of every two dollar bill that the poor, hard-working man hands over to this concern, believing that he is going to buy his goods cheaper, fifty cents of his hard-earned money goes straight out of his two dollars to pay the agent or canvasser. Having depleted their capital by giving away twenty-five per cent. of it to promoters and agents to secure it, they then state that the business will be transacted on the principle of co-operation, all profits belonging to the members and shareholders.

They then offer to give fifty per cent of the net profits of the society to the members, according to, and in proportion to their purchases. Twenty per cent. of the net profits shall be

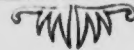
paid in dividends, and thirty per cent. of the net profits shall go to extend the business.

Retail Merchants a Hard-Working, Underpaid Class

The ordinary Grocer, Butcher, Baker, Milk Dealer or Retail Merchant is working from twelve to fifteen hours a day, and selling goods at the lowest possible cost, in competition with each other, and if they secure for themselves five per cent. on the capital invested, after allowing themselves a salary, which is not, in ninety-nine cases out of a hundred, as good as that paid to good bricklayers, plumbers or

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engine drivers, they consider themselves very lucky. How, then, can these Co-operative Concerns compete with these merchants, and hope to pay dividends, unless they charge higher prices for the goods they sell? And, remember that when once you put your money into these concerns, you are at their mercy. You must either take what they offer you, and deal with them, or forfeit the money you have put into them.

Co-operators are Experimenting on Your Capital

Another Co-operative Concern, with a capital of \$1,000,000.00, divided into two hundred thousand shares of the par value of \$5.00 each, has added to its attractions, public meetings, at which they invite ministers and preachers, and other professional people to assist them in their promotion scheme. A glance at the names of those who are on the directorate will show that not one of those whose names appear there have had any practical experience in the retail trade, and yet they profess to be able to give advice on such an intricate problem, showing that they must have zeal without knowledge, or a desire to experiment upon other people's capital. Are you willing to have these dreamers experiment on your capital? In their endeavor to attract the unthinking masses, one clause in their prospectus reads as follows:

The Promised Dividend or Bribe is an Overcharge

They say that "the large earnings by the Co-operative Plan is shown thus: Supposing a family spends \$5.00 a week at a store, when the share in the profits is at the rate of 25 cents on the dollar, at the end of the year the amount earned would be \$65.00. This is the result of buying at the store things that must be bought somewhere." From this it must be inferred that they assume that it is possible to hand back twenty-five cents on the dollar of every purchase after paying all the running expenses, and interest on the invested capital. How is this to be done? We can only see one way to do it, and that is to add it on to the price of the goods, the way it is done by the majority of Co-operative Stores in England and Scotland.

Does any sane person imagine for one moment that it would be possible for their grocer or their butcher to give them a discount of twenty-five per cent. off their purchases or off their accounts, when the sworn testimony of any respectable grocer, butcher or baker, or similar merchant, will show that their gross profit does not amount to twenty-five per cent., and out of which must come their rent, taxes,

wages of employees, and general running expenses. The real fact is that unless these Co-operative Societies offer these dividends or bribes, they would not be able to induce people with no knowledge of the retail trade to invest money in these delusive enterprises, and this is fully borne out by the reports of these societies in the Old Land.

How They are Operated in England and Scotland

We regret that space will not allow us to give you all the actual facts we would like to give you regarding some of the methods of these societies in the Old Land. Upon almost every platform we hear statements made that will not bear the true light of day to shine upon them. We are told that as these stores belong to the people, it is impossible for them to fail, as they are conducted on the smallest possible expense.

Evidence Before the Royal Commission on Labor

In the summary of the evidence laid before the Royal Commission on Labor in Scotland regarding the evil effect these stores have on the community, the report states that "We do not object to the true principle of co-operation; our objection being to the delusive dividend-giving system at present carried on under the designation of Co-operative Societies, which is doing so much harm to the trade of the country without giving any compensating benefits. At present, although doing about fifty millions sterling of trade annually, they do not pay income tax, which involves a loss to the revenue of about one hundred thousand pounds sterling per annum; this loss having to be made good, to a large extent, by the retail traders on a reduced trade." The report further says:

"Co-operation has been, and still is, advocated in a most unfair manner; by a condemnation of the body of retail traders as being unscrupulous; as training their assistants to cheat and lie, and rob and steal, to effect custom, and that the only place where unadulterated goods, as well as full measure and correct weight, can be got, is in the Co-operative Stores. These are examples of the means used by Co-operative advocates to advance their system when addressing meetings of the working classes, and in publishing literature, as referred to by Co-operative witnesses." "They assert what is not true, that the dividend given represents the profits that otherwise would have gone into the pockets of the shopkeepers. Whereas the dividends declared are only a part of the unconscionable overcharges made to enable them to give whatever rate of dividend

is wanted, as dividends can be and are made to order by them at from five per cent. to twenty-five per cent."

False Audits

"Their system of auditing has led sometimes to opportunities for misappropriation of funds, which had been unnoticed or passed over by the auditors of the societies; but when independent auditors and examiners had been called in it was found that even high officials had been tampering with the money belonging to the working classes. Instances are known where the accounts have been audited by members, and dividends declared when the societies were actually insolvent; for example, the Govan Co-operative Society's last balance sheet was audited by four members and found correct, and yet it could only pay one shilling and sixpence in the pound to the trade creditors."

Over Eight Hundred Co-operative Societies Failed

"We direct your attention to the numerous failures of Co-operative Societies, over eight hundred having occurred within the last twenty years which were most disastrous to the members."

The Duty of Every True Canadian

Space forbids us adding further testimony regarding this delusive, miscalled co-operative system, but it is the duty of every true Canadian to see that the trade of Canada is placed upon the highest possible level, and that can only be done by following the natural, God-ordained laws of trade, and avoiding all those plausible, pretentious schemes that appear smooth on the surface, but which are the creation of selfish minds for the purpose of abstracting the hard-earned dollars out of the pockets of the innocent, and using them for their own experimental purposes. If the promoters of these miscalled Co-operative Stores had the true interests of the masses at heart, and they thought they had a better plan than the one that has stood the test of centuries, and made Great Britain the greatest commercial nation in the world, they would invite skilled merchants to address their meetings and participate in their cause, but this they dare not do, as no respectable, honest, fair-dealing mer-

chant would countenance a dividend-paying scheme such as they propose, and which is only another trading stamp proposition clothed in different garments.

Look Very Carefully Into Them

We advise you, therefore, not to invest one dollar in these so-called Co-operative ventures without looking very carefully into them, and the more you look the more you will see that they are not for your benefit, but for the benefit of the few at the expense of many.

I have no personal interest in this matter. I am interested in no retail business or in no Co-operative Society, but as Dominion Secretary of "The Retail Merchants' Association of Canada," and having had years of practical experience in the retail trade, I have had an excellent opportunity of studying it in all its phases, and my endeavor has been to place the retail trade on the highest pinnacle, and this I have endeavored to do at great personal loss to myself, but I thoroughly believe that if trade cannot be done fair and square, then, our religion is a mockery, and we had better tear down our churches and turn them into police stations, but every honest merchant feels that trade can be done honestly, and that business should conform to the true principles of Christianity, and by our efforts, and with your assistance, we trust we shall see that all false schemes are eradicated from trade and commerce.

Since the publication of this pamphlet in Toronto, which was distributed into fifty thousand homes, the Dominion Co-operative Society, as well as some others, which was started with a great flourish of trumpets, has failed, and hundreds of poor, hard-working men and women have lost the money they invested in them. A large number of these poor people have called at our office and all regretted that they had not received a copy of this pamphlet before they invested their money, as they say it would have saved them from loss and annoyance. Any further information that may be desired on this subject please write to me at 21 Richmond St. West, Toronto.

Yours truly,

E. M. TROWERN,

21 Richmond Street West,
Toronto, Canada.